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**PRESENTATION OF THE
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

MONDAY, MARCH 14, 2016
2:00 p.m.

**TESTIMONY ON S.B. No. 2619, S.D. 1
RELATING TO UNCLAIMED PROPERTY**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs in support of
S.B. No. 2619, S.D. 1.

This bill requires the holder of unclaimed property valued at \$50 or more to
provide notice to the owner that the holder holds property that was unclaimed by the
apparent owner. The notice requires that the holder provide notice in writing to the last
known postal address, stating that the holder is in possession of property that is

unclaimed, or if known by the holder, via electronic mail or telephone. DFI believes that as currently envisioned, the new notice requirements will not be an additional regulatory burden to our financial institutions.

DFI notes that although the language of this measure is compromise language worked out with financial institution industries, this notice requirement applies to any company that reports and delivers the unclaimed property to the Director of Finance.

Thank you for this opportunity to testify. I would be pleased to respond to any questions that you may have.

DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
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EMPLOYEES' RETIREMENT SYSTEM
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ADMINISTRATIVE AND RESEARCH OFFICE
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MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO.2619, S.D. 1

March 14, 2016
2:00 p.m.

RELATING TO UNCLAIMED PROPERTY

Senate Bill No. 2619, S.D. 1 proposes that holders of unclaimed property submit documentation in their report to the Director of Finance that efforts were made to contact owners. For those properties valued at \$50 or more, holders would be required to contact owners via postal mail, email, and telephone.

The Department of Budget and Finance supports enhanced efforts to contact unclaimed property owners before such property is reported to the State. Currently, holders submit an affidavit with their report to the State certifying that they have met all of the statutory requirements to contact the owners prior to submitting the property to the Unclaimed Property Program.

We support this bill provided that the holders can continue to submit the affidavit certifying compliance with the increased contact provisions. The State would continue to reserve the right to conduct audits, random or otherwise, should it be necessary to validate the statements in the affidavit.

Thank you for the opportunity to provide testimony on this bill.

**HOUSE COMMITTEE
ON
CONSUMER PROTECTION AND COMMERCE**

March 11, 2016

Senate Bill 2619, SD1 Relating to Unclaimed Property

Chair McKelvey, Vice Chair Woodson, and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm).

State Farm offers the following comments about Senate Bill 2619, SD1 Relating to Unclaimed Property. State Farm opposes the measure in its current form.

More and more our customers use their various electronic devices—personal computers, mobile devices, E-tablets—to keep track of and maintain important information, and many of them prefer that we communicate with them using electronic means. Although we support the intent of this bill to allow for communication methods beyond simply posted mail, we believe that no valid method for providing the required abandoned property notice should be excluded. We suggest the following language, which keeps intact most of the current statute but broadens the methods for contacting apparent owners without unduly limiting them:

2. By amending subsection (e) to read:

(e) The holder of property presumed abandoned shall ~~[send written]~~ **provide** notice to the apparent owner, not more than six months before filing the report, stating that the holder is in possession of property subject to this part, if:

(1) The holder has in its records ~~[an address for]~~ **a reasonable method of contacting** the apparent owner which the holder's records do not disclose to be inaccurate;

(2) The claim of the apparent owner is not barred by a statute of limitations; and

(3) The value of the property is \$50 or more.

This would allow holders of abandoned property to make reasonable efforts to contact apparent owners without unduly limiting the reasonable methods that might be available to them.

Thank you for the opportunity to present this testimony.



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Presentation To
House Committee on Consumer Protection and Commerce
March 14, 2016 at 2:00 PM
State Capitol Conference Room 325

Testimony in Opposition to Senate Bill 2619, SD1

TO: The Honorable Angus L. K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

For financial institutions, the issue of unclaimed property deals primarily with deposit accounts and official bank instruments, like cashier's checks, interest checks, and refunds. There are instances of safe deposit boxes going unclaimed but that is less prevalent. With respect to deposit accounts, frankly the last thing we want to do is to escheat funds to the State, because it is burdensome for all involved. Therefore, attempts are made to contact the depositor to claim their funds. However, if we are unable to reach the depositor, or they do not respond, we have no recourse but to escheat the funds to the State, according to the time frames set forth by statutes.

Our concern with this measure is legislating how a bank, or any other company, should be contacting their customers. Effective methods of contact will change with time. There is speculation the US Postal System will cease to exist in the not too distant future. Twenty years ago, there was no email. Today, especially for millennials, they prefer texting over emails. For example, I have two millennial children that will not read nor respond to my emails, but will respond fairly quickly to a text message. Even telephone calls present a problem. Many millennials do not have land lines and will not answer any calls on their cell phones unless they recognize the phone number. And, there are privacy statutes that preclude leaving detailed messages. There will undoubtedly be new technologies emerging that may render current methods obsolete. And, the communications solution will need to be tailored to the preference of the specific customer. So, our recommendation is to amend Section 1, 2(e) by deleting the three specific optional methods of contact. This will allow the banks, now and in the future, to use their best judgement as to the most effective means of contacting their customers.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

A handwritten signature in black ink, appearing to read 'Edward Y. W. Pei', is written over a light blue circular stamp.

Edward Y. W. Pei
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